

# **EXHIBIT 3-E**

# **INDIVIDUAL PERFORMANCE REVIEW**

FULL OPERATIONAL GUIDELINES FOR HR  
September 2014

**HUMAN RESOURCES**



GLOBAL INDIVIDUAL PERFORMANCE REVIEW GUIDELINES

## 5. PERFORMANCE RANKING

Performance ranking involves a Ranking Panel conducting a relative ranking exercise for a Ranking Population, the outcomes of which are:

- An Individual Performance Factor (IPF) for each employee, managed within the IPF budget
- A Performance Share Plan (PSP) nomination decision for each employee, managed within the PSP nomination budget
- Explanation for the IPF and PSP outcomes for Supervisors to include in feedback to employees

### GROUP PERFORMANCE RANKING CRITERIA

These criteria should be used to reach a holistic judgement of performance of individuals relative to the ranking population. They should not be considered in isolation, nor be attributed scores, weightings or formulae.

- Individual performance against agreed targets, as recorded in the GPA
- Contribution to business goals/priorities.
- Demonstrated behaviour in support of the Shell General Business Principles, Core Values (Honesty, Integrity, Respect for People), Behavioural Imperatives (External focus, Commercial mindset, Delivery, Speed and Simplicity)

### INDIVIDUAL PERFORMANCE FACTOR (IPF)

Shell is committed to a performance culture that recognises achievements of individuals, and consequently differentiates rewards to send important messages to employees. This is done through the use of the Individual Performance Factor (IPF), which is allocated to each individual on an annual basis.

The IPF model is a means of distributing money in a way that differentiates between different levels of performance within a ranking population.

### IPF BIG RULES

- The IPF range to be used is 0.0 to 1.5.
- The average IPF for each defined ranking population must not be higher than 1.03.
- IPFs must be expressed in no more than one decimal point (e.g. 0.9 is permitted, 0.95 is not).
- The IPF is determined against the performance ranking criteria as compared with the relevant ranking population.
- Performance labels should not be used (e.g., Exceptional, High, Very Good, Good, Strong, Marginal, Poor).
- Once closed, a ranking session will not be re-opened for adjustments or changes.



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**IPF DISTRIBUTION GUIDANCE**

We aim to reward top performers and give clear signals to lower performers. Ranking panels should challenge themselves to identify around 10% of staff who should be given an IPF of 1.3 or higher, and between 3% and 7% of staff who should be given an IPF of 0.7 or lower.

These percentages indicate a direction, they are guidelines and not mandatory. Ranking panels decide on the IPF distribution in their ranking group.

**IPF OUT-OF-BUDGET RULES**

The IPF for most employees contributes to the average spend that must not exceed the 1.03 IPF budget for each ranking population. There are specific and valid reasons for some employees to be "out of budget" however and these are described in [Appendix I](#).

**RANKING POPULATIONS**

Ranking populations are groups of employees who are ranked relative to one another with the IPF outcomes managed within the 1.03 IPF budget.

All employees are allocated to ranking populations based on their position at September 30 as IPR uses a static picture of the organisation at that precise moment.

HR in the Business/Country are responsible for defining ranking populations in partnership with Business Leaders and in alignment with the key guidance points. Ranking populations can be local, regional or global, depending on the requirements and structure of the business.

**Key Guidance**

- All employees should be allocated to ranking populations based on their position in the organisation on the key date of September 30
- The recommended ranking population size is 10-50, with a minimum of 10 and a maximum of 100. The minimum of 10 is set to ensure there is sufficient IPF budget to enable differentiation and 100 set as a practical maximum number of employees who can reasonably be compared to one another
- Every individual should be included in one (and only one) ranking population and should only be ranked once
- Employees should be ranked within their direct reporting line. Stakeholders or functional (dotted-line) supervisors should provide input prior to performance ranking sessions taking place
- Skillcols should not be used as a basis for defining ranking populations
- Rolling up two or more Orbit ranking sessions into an aggregated Orbit ranking session to calibrate IPFs or otherwise revisit IPF decisions made within ranking panels, for example in pursuit of IPF distribution % guidance or to maximise use of the 1.03 IPF budget, is neither appropriate nor allowed

**Practical Help**

- Teams with less than 10 employees to be ranked together should where possible be combined with other teams or larger groups in order to form viable ranking populations
- Employees in Functions (e.g. Finance, HR, IT, etc.) should be allocated to a ranking population in their respective functional populations, on the basis that their 'solid' reporting line runs into the Function



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- Defining ranking populations by Salary Group/Salary Group bands (e.g. SG 1C, 1-2, 3-5, 6-7, etc) is recommended where this fits the business structure and where the numbers of staff per salary group allow it. The objective is to assess, as far as possible, comparable groups by Salary Group level. If ranking populations cannot be defined by Salary Group bands (e.g. due to small population size), efforts should be made to compare groups of similar organisational levels within the ranking session.

**RANKING PANELS**

Ranking Panels are composed of:

- Supervisors
- A IPR Facilitator
- A line Chairperson, typically the most senior leader within the panel

Members of the panel should have direct knowledge of the performance of those to be ranked. In most cases this means the ranking panel is made up of the direct supervisors of those being ranked. Where this is not possible, the panel members should have been thoroughly briefed by the direct supervisors of the employees concerned. No individual should be ranked without his or her direct supervisor having significant input.

**NEW HIRES, TRANSFERS, LEAVERS AND ABSENCES****NEW HIRES**

<b>FIRST DAY ON PAYROLL SHELL GROUP</b>			
	<b>January 1 – September 30</b>	<b>October 1 – December 31</b>	<b>January 1 – January 31 (next year)</b>
<b>Ranking Process</b>	Included in the standard ranking process.	Not included in the ranking process, and assigned an IPF of 0.9.	No IPF assigned. The employee's base pay on joining should factor in the merit increase, so no merit increase (or bonus) is payable in February.
<b>Ranking tool</b>	Orbit Online ranking tool.	Centrally added to Orbit Online in January by the IPR Support Team.	Not applicable.
<b>IPF budget</b>	Included in the IPF budget.	Not included in the IPF budget.	Not applicable.
<b>Upload of results</b>	Data downloaded from Orbit Online for upload to Shell People by IPR Support Team.	IPR Support Team will inform RFP's when they can review new hire data.	Not applicable.



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**ABSENCES****Absences of less than one calendar year**

If an individual has been absent from work for a substantial part of the period under review, (e.g. for sabbatical, maternity leave or illness) it is important to maintain an equitable approach in relation to the peer group. The IPF should not be reduced or 'prorated' to reflect the proportion of the year a person has been absent. Wherever possible the individual is to be ranked in the standard way based on performance in the job. If the absence period in the performance year has been so long that no sensible judgement on performance can be made then the individual should be removed from the IPF budget and the previous year's IPF should be used. The responsibility for the ranking of the absent employee is with the supervisor as listed in Shell People (i.e., the supervisor approving the employee's IDP/GPA) who was the supervisor on 30 September.

**Absences of more than one calendar year**

As a general rule an IPF should not be assigned if an employee is absent from Shell employment for one complete calendar year or more, as there is no performance to assess. However, if that is not possible, exceptions should be managed as follows:

In countries where there is a regulation that requires an IPF for salary progression then the prior year IPF should be used and the SMC applied. The employee should be excluded from the ranking and excluded from the IPF budget, but remains included in the PSP budget.

Where there is no requirement for an IPF, but salary is required to be progressed at an 'average' level during the absence then the percentage of the merit budget or the salary structure adjustment should be applied during the absence (subject to the 120% PIR maximum). No IPF should be assigned.

Where there is no requirement to maintain a salary during the absence but an adjustment is required (or is a matter of local practice) following return to employment, then an IPF will be awarded equal to the most recent ranked IPF. Please note that these employees remain included in the PSP budget.

LAST DAY ON PAYROLL SHELL GROUP				
	Absences less than a calendar year (judgement can be made)	Absences less than a calendar year (no judgement can be made)	Absences more than one calendar year (no IPF required)	Absences more than one calendar year (IPF required)
<b>Ranking Process</b>	Included in ranking	Excluded from ranking, previous year's IPF	No ranking	Excluded from ranking, previous year's IPF
<b>Responsibility</b>	Ranking panel	Supervisor as listed in SP	N/A	HRAM
<b>IPF budget</b>	Included.	Excluded.	Excluded.	Excluded.